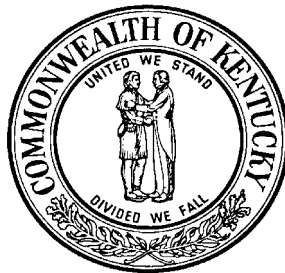


**REPORT OF THE AUDIT OF THE  
FORMER MADISON COUNTY  
CLERK**

**For The Period January 1, 2002  
Through January 5, 2003**



**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FORMER MADISON COUNTY CLERK**

**For The Period  
January 1, 2002 Through January 5, 2003**

The Auditor of Public Accounts has completed the former Madison County Clerk's audit for the period January 1, 2002 through January 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees decreased by \$9,743 from the prior calendar year, resulting in excess fees of \$221,747 as of January 5, 2003. Revenues increased by \$569,194 from the prior year and disbursements increased by \$578,937.

#### **Report Comment:**

- The Former County Clerk Should Have Required The Depository Institution To Pledge Or Provide Sufficient Collateral And Entered Into A Written Agreement To Protect Deposits

#### **Deposits:**

As of April 3, 2002, the former County Clerk's deposits were uninsured and uncollateralized by bank securities or bonds by \$43,646. Also, the former County Clerk had not entered into a written agreement with the depository institution.



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

Gordon C. Duke, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Kent B. Clark, Madison County Judge/Executive

Honorable Mary Jane Ginter, Former Madison County Clerk

Honorable Billy Gabbard, Madison County Clerk

Members of the Madison County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former County Clerk of Madison County, Kentucky, for the period January 1, 2002 through January 5, 2003. This financial statement is the responsibility of the former County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Clerk for the period January 1, 2002 through January 5, 2003, in conformity with the modified cash basis of accounting.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Kent B. Clark, Madison County Judge/Executive  
Honorable Mary Jane Ginter, Former Madison County Clerk  
Honorable Billy Gabbard, Madison County Clerk  
Members of the Madison County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2003, on our consideration of the former County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Former County Clerk Should Have Required The Depository Institution To Pledge Or Provide Sufficient Collateral And Entered Into A Written Agreement To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 26, 2003



MADISON COUNTY  
 MARY JANE GINTER, FORMER COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Period January 1, 2002 Through January 5, 2003

Receipts

State Fees For Services	\$	26,486	
Fiscal Court			26,016
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	1,480,492	
Usage Tax		6,952,093	
Tangible Personal Property Tax		4,375,577	
Lien Release		16,990	
Miscellaneous		7,324	
Licenses-			
Fish and Game		11,122	
Marriage		21,632	
Occupational		2,848	
Deed Transfer Tax		241,051	
Delinquent Tax		535,459	13,644,588
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	48,594	
Real Estate Mortgages		180,088	
Chattel Mortgages and Financing Statements		201,868	
All Other Recordings		80,657	
Charges for Other Services-			
Candidate Filing Fees		3,220	
Postage		5,046	
Copywork		16,869	
Miscellaneous		1,785	538,127
Other:			
Refunds and Overpayments	\$	12,984	
NSF Fees		4,792	17,776
Interest Earned			4,933
Total Receipts	\$		14,257,926

The accompanying notes are an integral part of this financial statement.

MADISON COUNTY  
 MARY JANE GINTER, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Period January 1, 2002 Through January 5, 2003  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 1,101,985
Usage Tax	6,723,326
Tangible Personal Property Tax	1,571,667

Licenses, Taxes, and Fees-

Fish and Game	10,687
Delinquent Tax	68,581
Legal Process Tax	63,824
Candidate Filing Fees	<u>1,800</u>
	\$ 9,541,870

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 297,155
Delinquent Tax	43,444
Deed Transfer Tax	228,998
Occupational Licenses	<u>2,509</u>
	572,106

Payments to Other Districts:

Tangible Personal Property Tax	\$ 2,326,703
Delinquent Tax	<u>287,627</u>
	2,614,330

Payments to Sheriff 6,145

Payments to County Attorney 82,568

Operating Disbursements:

Personnel Services-

Deputies' Salaries	\$ 690,405
Part-Time Salaries	2,965

Employee Benefits-

Employer's Share Social Security	55,400
Employer's Share Retirement	48,203
Employer's Paid Health Insurance	68,034

Materials and Supplies-

Office Supplies	89,473
Office Equipment	85,588

The accompanying notes are an integral part of this financial statement.

MADISON COUNTY  
 MARY JANE GINTER, FORMER COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Period January 1, 2002 Through January 5, 2003  
 (Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Other Charges-		
Dues	\$ 7,263	
Postage	25,560	
Refunds and Overpayments	14,213	
Usage Refunds	21,916	
Advalorem Refunds	5,533	
License Refunds	1,457	
Bank Charges	399	
Miscellaneous	17,429	
Uncollected Cold Checks	<u>1,675</u>	<u>\$ 1,135,513</u>
Total Disbursements		<u>\$ 13,952,532</u>
Net Receipts		\$ 305,394
Less: Statutory Maximum		<u>80,047</u>
Excess Fees		\$ 225,347
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for 2002		\$ 221,747
Payments to County Treasurer- March 10, 2003	\$ 220,000	
March 26, 2003	<u>1,747</u>	<u>221,747</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of this financial statement.

MADISON COUNTY  
NOTES TO FINANCIAL STATEMENT

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at January 5, 2003.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the period.

MADISON COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 January 5, 2003  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. As of January 5, 2003, the bank balances were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former County Clerk's agent in the former County Clerk's name, or provided surety bond which named the former County Clerk as beneficiary/obligee on the bond. However, as of April 3, 2002, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$43,646 of public funds uninsured and unsecured. In addition, the former County Clerk did not have a written agreement with the depository institution securing the former County Clerk's interest in the collateral.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 3, 2002.

	<u>Bank Balance</u>
Collateralized with securities held by the county official's agent in the county official's name	\$ 820,802
FDIC Insured	100,000
Uncollateralized and uninsured	<u>43,646</u>
Total	<u><u>\$ 964,448</u></u>

Note 4. Grant

The Madison County Clerk Library and Archives account had a beginning balance of \$25,283. Interest of \$123 was earned during 2002. No funds were expended leaving an unexpended balance of \$25,406 as of January 5, 2003.

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COMMENT AND RECOMMENDATION





MADISON COUNTY  
MARY JANE GINTER, FORMER COUNTY CLERK  
COMMENT AND RECOMMENDATION

For The Period January 1, 2002 Through January 5, 2003

STATE LAWS AND REGULATIONS:

The Former County Clerk Should Have Required The Depository Institution To Pledge Or Provide Sufficient Collateral And Entered Into A Written Agreement To Protect Deposits

On April 3, 2002, \$43,646 of the former County Clerk's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The former County Clerk should have required the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. Also, the former County Clerk should have entered into a written agreement with the depository institution to secure the former County Clerk's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

*Former County Clerk's Response:*

*None.*

INTERNAL CONTROL - REPORTABLE CONDITIONS:

None.

PRIOR YEAR:

- The County Clerk Should Require The Depository Institution To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

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Honorable Billy Gabbard, Madison County Clerk

Members of the Madison County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the former Madison County Clerk for the period January 1, 2002 through January 5, 2003, and have issued our report thereon dated March 26, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Madison County Clerk's financial statement for the period January 1, 2002 through January 5, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Former County Clerk Should Have Required The Depository Institution To Pledge Or Provide Sufficient Collateral And Entered Into A Written Agreement To Protect Deposits



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Madison County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
March 26, 2003

